Investors: Do You Own Canada's 3 Best Growth Stocks?

Description

One important investment truth is, if something is in short supply, investors will be forced to pay a premium to own it.

In today's market, growth is the obvious scarce commodity. The market is filled with mature, safe companies that pay generous dividends. There are only a few companies that have the ability to grow the top line at more than 10% a year without constantly making acquisitions.

This creates an interesting conundrum for growth investors. Should they pay inflated prices for Canada's top growth names or wait it out and try to buy them on the cheap during the next market correction?

I'm a fan of the former. Certain companies will grow for decades before becoming a decent value. You don't want to miss out on that.

Here are three of Canada's best growth stocks. They may look expensive today, but they're not once we factor in their explosive potential.

Dollarama

Dollarama Inc. (TSX:DOL) shares have increased 914% since the company's 2009 IPO. Many investors think there's still plenty of growth potential ahead too.

Recent quarterly numbers saw revenue increase 11.2%, same-store sales up 5.1%, and operating income was 12.1% higher. This translated into a big boost to the bottom line with earnings up 18%.

Analysts are still bullish for 2017 too. Earnings are projected to hit $4.10 per share in the next fiscal year, an increase of 36% versus 2015's numbers. Management is further accelerating earnings growth by buying back 31 million shares over the next few years, or about 20% of the outstanding float.

Once growth starts to mature in Canada, look for Dollarama to start expanding to other nations. The first stop will likely be Central America. Dollarama has an option to acquire Dollar City, which has more than 50 locations in El Salvador and Guatemala.

Shopify

Many investors look at **Amazon.com** as the best way to play internet sales growth. While Amazon is a good choice, **Shopify Inc.** (TSX:SHOP)(NYSE:SHOP) may have even more potential.

Shopify works with companies to strengthen their online presence. The company can do it all, offering services from building websites to processing payments to designing landing pages. There are more than 325,000 different merchants that use at least one of Shopify's services.

Revenue growth has been outstanding. Shopify consistently doubled its revenue each year from 2012 to 2015. Growth has slowed slightly lately; the latest quarter only saw the top line increase 89% versus the year before.

Shopify isn't quite profitable yet — analysts predict that will happen sometime in 2017 — but it has posted positive cash flow through the first three quarters of 2016. With US$410 million in cash and just US$13.3 million in debt, the company has the balance sheet strength to really focus on growth. It won't need any funding for a long time.

Raging River

In 2012, **Raging River Exploration Inc.** (TSX:RRX) was a tiny oil company producing 2,277 barrels of crude per day. Production has grown almost 10-fold in the last five years, with production expected to hit 22,500 barrels per day in 2017 and then 25,000 in 2018.

How has Raging River grown so much during the worst oil downturn of the last 30 years? The company has a sharp management team that focused on low-cost production. Assets were bought and others were sold at opportune times. And the company has a great balance sheet, giving it flexibility. It only owes $100 million versus assets of $1.2 billion.

Even if crude flatlines at $60 per barrel for the next decade, Raging River will be able to double production using only internal cash flows. If crude rockets higher, the sky is the limit.

The bottom line

Dollarama, Shopify, and Raging River are not cheap stocks. That much is obvious. But each has the kind of growth potential that's hard to find in today's market.

The choice is simple. Investors can either pay a premium or be forced to sit on the sidelines. There's no way you'll want to miss out on these three terrific growth stories.

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Author
nelsonpsmith